Guideline

Property Tax
Urban Renewal Tax Increment Financing
North Dakota Century Code § 40-58-20

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Tax Commissioner

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Purpose

To provide funds for payment of the cost of development or renewal of any development or renewal area, and for retirement of all bonds, notes, or other obligations issued by the municipality to pay that cost.

Procedures

1. At the request of a municipal governing body, the county auditor certifies the original taxable value as last assessed and equalized before the date of the request for each lot or parcel in a development or renewal area with an approved plan.

   a. Property in the area acquired by the city or its urban renewal agency prior to July 1, 1973, is deemed to have an original taxable value of zero.

   b. Property in the area acquired by the city or its urban renewal agency more than five years prior to the approval of the development or renewal plan is deemed to have an original taxable value of zero.

   c. Property in the area acquired by the city or its urban renewal agency which is not included in (a) or (b) above has an original taxable value as last assessed and equalized before it was acquired.

2. The county auditor compares each subsequent year's taxable value of all the parcels in the area to the original taxable value and certifies the net amount of increase or decrease for that year. The net increase is the incremental value and the net decrease is the lost value.

3. In a year when there is lost value, the county auditor applies the appropriate mill levies for each of the taxing districts to the lost value. The amount computed is called the tax losses for that year, to be repaid by future incremental taxes.

4. In a year when there is incremental value, the incremental value is not included in the taxable value used to compute the mill rate of taxes levied in the development or renewal area. However, the county auditor extends the aggregate mill rate against the incremental value as well as the original taxable value.

5. The amount of taxes generated by the incremental value is referred to as the tax increment for that year and is credited to a special fund.

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6. The county treasurer remits the tax increments in the fund to the state and each political subdivision that had a tax loss until all the tax losses have been reimbursed.

7. After the tax losses of the taxing districts are fully paid, the tax increments in the special fund are remitted to the municipality to reimburse it for the development or renewal costs as defined in N.D.C.C. § 40-58-20(8)(9).

8. After the municipality reports that the development or renewal costs have been paid or sufficient funds to retire the costs and obligations have been received, the county treasurer distributes any balance remaining in the tax increment fund to the state and political subdivisions in proportion to the tax losses previously reimbursed to them.

9. When the development or renewal costs have been paid, the county auditor shall thereafter compute the mill rate of all taxes upon the total taxable value of the development or renewal area.

10. As an alternative to the sale of bonds to be amortized with tax increments, the governing body of a municipality may grant a total or partial tax exemption for the project.

    a. The amount of annual tax exemption is limited to the increment as it applies to the project and may extend for no more than 15 years. The municipality must give due consideration to the same elements as are involved in the sale of bonds to be amortized by tax increments.

    b. The amount to be reimbursed to the project developer by tax exemption is all or a portion of eligible public costs which have been paid by the developer plus interest on that amount at no more than 10 percent per annum.

    c. The amount of tax exemption is to be an amount sufficient to reimburse the project operator for eligible costs amortized according to the agreement between the developer and the city.

    d. Any developer receiving an exemption as an alternative to tax increment financing is not eligible for a new business exemption under N.D.C.C. ch. 40-57.1.